

*The factual information set forth on the Tracking Charts was submitted to the FLA by each Independent External Monitor and Participating Company and reviewed by FLA staff. It is being made available to the public pursuant to the FLA Charter in order to strengthen the monitoring process. The FLA Charter provides for regular public disclosure of the factual results of independent monitoring and the resulting specific actions taken by Participating Companies.*

### **What is a Tracking Chart?**

Compliance is a process, not an event. A Tracking Chart outlines the process involved in FLA independent external monitoring and remediation. It is used by the accredited independent external monitor, the participating company and the FLA staff to do the following:

- **Record Findings:** The independent external monitor uses the Tracking Chart to report noncompliance with FLA Code standards. The monitor should also cite the specific Code benchmark or national/local law that was used to measure compliance.
- **Report on Remediation:** The FLA participating company uses the Tracking Chart to report on the remediation program that was implemented in order to resolve the noncompliance and prevent any future violations.
- **Evaluate Progress:** The FLA uses the Tracking Chart for purposes of collecting and analyzing information on the compliance situation of a particular factory and for publication on our website. This information is updated on an ongoing basis.

### **What a Tracking Chart is NOT -**

- An exhaustive assessment of factory conditions

Working conditions - in any type of workplace - are dynamic. Each Tracking Chart represents a survey of the factory's conditions on a specific day. Over time, a fuller picture emerges as we compile information from various sources to track the compliance progress of a factory.

- A pass or fail evaluation

The Tracking Charts do not certify whether or not factories are in compliance with the FLA Code. Monitoring is a measurement tool. The discovery of noncompliance issues is therefore not an indication that the participating company should withdraw from a factory. Instead, the results of monitoring visits are used to prioritize capacity building activities that will lead to sustainable improvements in the factory's working conditions.

- A one-time event

Each monitoring visit is followed by a remediation program, further monitoring and remediation in an ongoing process. The Tracking Charts are updated accordingly.

**Note on Language**

Please be advised that because FLA independent external monitors are locally-based and English is generally not their native language, the language presented may at times appear unclear to a reader who is a native English speaker. In order to preserve the integrity of the transparency process and the information we receive, our policy is to publish the original text from the monitor and participating company. However, the reader will note that we have taken the precaution to remove any identifying information about the factory that was monitored or the workers interviewed.

For example, in cases where monitors and/or participating companies have cited the actual number of workers in reference to a noncompliance issue, in order to protect the workers' identities, we have replaced the numbers with generic wording in brackets (i.e. "[some]", "[worker interviews revealed that]", etc.).

We do not disclose the name of the factory that was monitored in order to ensure that the FLA's efforts to encourage and reward transparency do not have detrimental consequences for the factory and the workers.

**Instructions for Printing**

The information contained in the Tracking Charts is organized by columns and rows in a table format. Due to the number and width of the columns, the charts have been formatted for legal size (8.5 x 14in.) paper. To print the charts, please make sure to select "legal" size paper from Print properties.

FLA Audit Profile	
Country	China
Factory Name	07021541D
IEM	SGS-CSTC Standard Technical Services Co., Ltd
Date(s) in Facility	July 25-26, 2005
PC(s)	Nike, Inc., Patagonia
Number of Workers	826
Product(s)	Garments
Production Processes	Cutting - Embroidering - Sewing - Ironing - Trimming - Packaging

FLA Code/ Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Non-Compliance	Risk of Non-compliance	IEM Findings		Sources/Documentation used for corroborating	Remediation			Company Verification Follow up		
					Evidence of Non-compliance (un corroborated)	If not corroborated, explain why		PC Remediation Plan	Target Completion Date	Company follow up (Cite date of follow up)	Documentation	Company Follow up (Cite date of planned or follow up visit, if appropriate)	Documentation
<b>1. Code Awareness</b>													
Confidential Non-Compliance Reporting Channel	Nil.	<b>FLA Principle of Monitoring, Obligation of Companies:</b> Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.	There was not a confidential communication channel for the workers to raise labor issues to FLA PC company of Nike and Patagonia.				According to site observation and interview with workers & the managements, auditors found that there was only Nike COC Code was posted in workshop, but no complaint telephone number was written on the code. The factory did not have sufficient way for workers to report the non-compliance to PC company i.e. Nike and Patagonia.	Nike and Patagonia's shared objective is to strengthen contract manufacturers' internal grievance systems, so that direct involvement by Nike and Patagonia in employee grievances should be considered a last resort. In alignment with Nike and Patagonia's objective to strengthen contract manufacturers' internal grievance processes, Nike is engaged in two pilot educational programs facilitated by local Non-Governmental Organizations underway currently in Indonesia and China. In addition, Nike and Patagonia Compliance staffs spend time listening to factory employees during one-on-one confidential interviews during compliance Audits. More than 9,000 factory employees were confidentially interviewed by Nike Compliance staff from August 1, 2002 through end of May 2004.  1. The factory must establish a formal confidential grievance process. 2. The factory should implement a written investigation procedure, which establishes clearly the responsibility to investigate grievances, record complaint information and document the evidences/findings. 3. The factory should communicate to all workers how the system	12/1/2005	Response from factory on 10/20/2006. Factory set up 3 channels for employees to report complaints 1. GM mail box and grievance box 2. Trade Union 3. Report to supervisor directly		Follow up visit on Sept 5, 2006. Through worker interview, it was noted that factory equipped grievance boxes in factory but some worker didn't think factory would resolve workers' grievance.	worker interview and on-site observation
<b>2. Forced Labor</b>													
There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise													
<b>3. Child Labor</b>													
No person will be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.													
Legal Compliance for Juvenile Workers	Clause 9. Regulations on Young Worker Special Protection: Employment of Young worker must subject to registration approval from local Labor Bureau of government.	Employers will comply with applicable laws that apply to young workers, i.e., those between the minimum working age and the age of 18, including regulations relating to hiring, working conditions, types of work, hours of work, proof of age documentation, and overtime	Two young workers (17 years old) was identified during the audit. The factory did not obtain young worker registration permit from the local Labor Bureau. It violated the Clause 9 of Regulations on Young Worker Special Protection.				Based on workers' interview and document review. Two young workers were identified as young workers, no young worker registration permit of local Labor Bureau was available during the audit. The management confirmed that they did not obtain the young worker registration permit yet.	Management must obtain a young worker permit for any and all factory workers under the age of 18 and retain proof in the employee file. All legal requirements relevant to young workers must be strictly followed	Completed			Follow up visit on Sept 5, 2006. Factory didn't have any juvenile workers.	personnel documents
<b>4. Harassment or Abuse</b>													
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment of abuse.													
<b>5. Nondiscrimination</b>													
No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.													

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<b>6. Health and Safety</b>														
Employers will provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities														
Fire Safety Health and Safety Legal Compliance	China Fire Prevention Law, Article 10: The completed construction project must comply with fire protection design following to the state construction fire protection technical standards and must be delivered for acceptance inspection by Fire Protection Bureau, those which are not inspected or fail to pass the inspection may not be delivered for use. China Construction Law, Article 61 (partly and abbreviated ):All buildings shall get Building Structure Certificate before it come to use.	Employer will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits	The factory did not obtain fire safety inspection certificate and building structure safety certificate of the production and warehouse building. It violated Article 10 of China Fire Prevention Law and Article 61 of China Construction Law.				The factory management confirmed that they did not obtain the certificates yet.	Management must obtain the necessary building safety and fire safety certificates.	11/1/2005				Follow up visit on Sept. 5, 2006. Factory provided fire safety inspection certificate to auditors.	
PPE	Clause 54 of China Labor Law: Employer must provide employees with occupational health and safety conditions conforming to the provisions of the state and necessary personnel protective equipment.	Workers shall wear appropriate protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to hazardous elements including medical waste.	One embroidering worker did not wear ear-plug during the working process. It violated Clause 54 of China Labor Law				During on site observation, found one embroidering worker did not wear ear-plug while working. The management said that they ought to effectively survey workers to use PPE appropriately.	All local and national laws governing PPE use must be obeyed at all times. <u>We would like to recommend a few remediation steps below for consideration:</u>  1. PPE should be provided to all workers free of charge and factory management should promote the use of PPE at all times to workers. 2. The factory should conduct educational training sessions on the proper PPE usage and importance to respective workers. 3. The factory should post warning signs in the local language spoken by employees and pictorial diagrams illustrating proper PPE and usage in all production areas where PPE is required.	Completed	Response from factory on 10/20/2006. Factory provided documented training to all embroidering workers and the workers wear ear-plug while working.				
Chemical Management	Article 12 of Safe Use of Chemicals at Workplace Provisions: Chemicals used in workshop should be suitably labeled. Article 17 of Safe Use of Chemicals at Workplace Provisions: Suitable first aid facilities should be provided in chemical using facility. Article 18 of Safe Use of Chemicals at Workplace Provisions: Disposal of waste chemicals should meet the state requirements.	All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training, appropriate to their job responsibilities, in the safe use of chemicals and other hazardous substances	Some chemicals i.e. cleaning chemical used in trimming workshop and refrigerant used to cool cutting machine were not appropriately labeled. No appropriate medical supplies in or near the chemical storage area. Disposal of waste chemicals were not effectively controlled. It violated Article 12, 17 & 18 of Safe Use of Chemicals at Workplace Provisions,				According to on site observation and interview with workers and management.	A waste disposal procedure for toxic or hazardous materials should be established. Please identify the manager responsible for handling and disposing of all hazardous materials. <u>We would like to recommend a few remediation steps below for consideration:</u>  1. Factory should have properly labeled chemical storage containers. 2. First-aid kits should be accessible at all times with necessary medical supplies. First-aid kits should be replenished with unexpired materials and maintained on a regular basis. 3. PC suggests the factory set up an effective Environment, Safety, and Health management system and appoint designated staff to inspect facilities on a regular basis.	Completed	10/19/2006 Factory emailed related documents(please refer to attachment) They labeled chemicals and equipped first aid box near the chemical storage area. For waste chemicals, they were taken back by the chemical suppliers.				

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<b>7. Freedom of Association and Collective Bargaining</b>														
Employers will recognize and respect the right of employees to freedom of association and collective bargaining														
		<i>FLA Comment: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms.</i>												
		<i>The Amended Trade Union Act of October 2001 does stipulate that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.</i>												
<b>8. Wages and Benefits</b>														
Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits														
Legal benefits	China Labor Law, Article 72: The employer and employees must participate in social insurance and pay social insurance premiums in accordance with the law.	Employers will provide all legally mandated benefits to all eligible workers	The factory only provided retirement insurance and medical insurance for 778 employees, unemployment insurance for 126 employees, injury insurance for 560 employees and maternity insurance for 121 employees. The factory did not provide all kinds of social insurance for all employees. It violated Article 72 of China Labor Law.				Based on social insurance invoice and interview with the management.	Factory must provide social insurance to every employee as required by local law or obtain a waiver from the labor bureau stating that the factory's insurance method is in compliance with local legal requirements.	Completed	Nov., 29 2006 Documents from factory, All 880 employees were provided with social insurance.		Nov., 29 2006 Documents from factory, All 880 employees were provided with social insurance.	social insurance payment voucher	
<b>9. Hours of Work</b>														
Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period														
Overtime Limitations	The clause 41 of China Labor Law: The overtime working hour can not exceed 3 hours a day and 36 hours a month.	Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts	In peak season of July-Sep. 2004, most workers OT worked about 2-4 hours/day, 80-110 hours per month. (Total working hours including OT was about 65 hours/week in peak season), OT hours exceeded the legal requirements of not exceed 3 hours/day and 36 hours/month. It violated Clause 41 of China Labor Law..				Production records, electronic time card records and interview with the management.	<u>We would like to suggest the following remediation steps for consideration:</u> 1. The factory must cease the practice of working more than 60 hrs per week. Factory must comply with the working hour limits stipulated in the local labor law and FLA CoC. The FLA limit for hours of work is no more than 60 hours per week on a regularly scheduled basis. 2. The factory should develop a management system and working hours policy to meet standards and communicate this policy to workers. PC suggests the factory check working hours mid-week to determine those workers approaching the limit and schedule work accordingly for compliance.	Ongoing	Response from factory on 10/20/2006. Factory already set up OT control system. Received OT report for Oct., 2006, it was noted that OT exceeded limit as follows: 1. Weekly working hours exceeded 60 for about 77% workers; Maximum OT hours		Received OT report for Oct., 2006, it was noted that OT exceeded limit as follows: 1. Weekly working hours exceeded 60 for about 77% workers; Maximum OT hours is 82.	payroll and attendance records(P.S. payment period is from 26th-25th every month)	
<b>10. Overtime Compensation</b>														
In addition to their compensation for regular hours of work, employees will be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws will not exist, at a rate at least equal to their regular hourly compensation rate.														
<b>Miscellaneous</b>														